FLEET VEHICLES AGENCY

2001/02 Annual Report

FLEET

103-00479/

Contents

Letter from the Minister 2
Letter from the Deputy Minister 3
Chief Operating Officer's Message 4
Celebrating Ten Years as a Special Operating Agency 5
Profile and Direction of Fleet Vehicles Agency 6
Our Products and Services 7
Maintaining or Expanding our Market 7
Structure for Operations 8
Operating Objectives and Results 12
- Enhance the Value and Quality of our Service to Meet Stakeholders' Expectations 12
- Administer Assets and Resources in a Fiscally Responsible Manner 13
- Operate Efficient and Effective Management Information Systems 14
- Advance New Market Opportunities 15
- Foster an Agency that Informs, Prepares and Empowers Employees 16

Financial Performance 17
Responsibility for Financial Reporting 24
Auditors' Report 25
Financial Statements 26
FLEET Facts 35
FLEET Contacts 40

Fleet Vehicles Agency is
an Agency of Manitoba Transportation and Government Services

Manitoba Transportation and Government Services

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 15, 2002

The Honourable Peter M. Liba, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

I have the privilege of presenting for the information of Your Honour the Annual Report of Fleet Vehicles Agency (*FLEET*) for the year ended March 31, 2002.

As the first Special Operating Agency (SOA) created in Manitoba and at the provincial level in Canada, *FLEET* has become one of the models for alternative service delivery across the country.

This Report marks the completion of *FLEET*'s 10th year as a SOA. Its operating performance during that 10 years is one in which we are all justifiably proud.

Respectfully submitted,

Steve Ashton
Minister Responsible for
Fleet Vehicles Agency

Manitoba

A/Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 15, 2002

The Honourable Steve Ashton
Minister Responsible for Fleet Vehicles Agency
MB Transportation and Government Services
Room 203, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Minister:

It is my privilege and pleasure to submit for your review and consideration the Annual Report of Fleet Vehicles Agency (*FLEET*) for the year ended March 31, 2002.

FLEET has been diligent in addressing the Government's Sustainable Development Procurement Guidelines. Its 2002 Vehicle Ordering Guide included a section on the Government of Manitoba's Sustainable Development Policy and highlighted both Hybrid Electric Sedans and E85 Mini Vans as Specialty Vehicles. During 2001/02, *FLEET* purchased 34 Chrysler E85 Mini Vans (to add to the 12 E85s and two hybrid electric Toyota Prius sedans purchased in 2000/01). The E85s and Prius vehicles are primarily assigned to various clients, but there are also a few E85s available in *FLEET*'s short-term rental pool for departments to use and evaluate.

On behalf of departmental management and Advisory Board members, I would like to say that we are once again very impressed by the obvious commitment and dedication exhibited by *FLEET*'s management and staff, and very pleased with the continued success of *FLEET*.

Respectfully submitted,

Gerry Berezuk
A/Deputy Minister and Chairperson of the
Fleet Vehicles Agency Advisory Board

Chief Operating Officer's Message

To the Many Stakeholders of Fleet Vehicles Agency

A few hundred years ago, someone said for the first time: "A picture's worth a thousand words." I think everyone probably can think of instances where that's true. That doesn't necessarily mean that several pictures are worth several thousand words, but the accompanying picture of our cake and the pictures on the next page go a long ways in augmenting the few celebratory words accompanying them. Happy 10th Birthday, *FLEET*.

The years go by very quickly. It seems like only yesterday that we were putting together our Business Case and Plan to become a Special Operating Agency (SOA), drafting our Charter and Management Agreement, worrying about asset values for our Transfer Agreement, negotiating Contributed Equity, and trying to figure out what it was that we were supposed to be doing differently to operate in a business-like fashion. It's been a rewarding experience for me, and, I'm sure, for the other managers and staff who have made all or most of that 10 to 11 year journey with me.

Our 10th year as a SOA was another banner year. Our net earnings reached $2,925, the highest "bottom line" during our 10 year SOA history. Almost everything worked in our favour—early arrivals from the manufacturers for our replacement vehicles including ambulances, relatively low gasoline prices, low interest rates, a busy bodyshop, and successful auctions—to name a few. It's like everybody and everything cooperated to make this year special for us.

The Ambulance Program is "up and running." The first 60 of the estimated 160 ambulances to be replaced over six years arrived between May and December 2001, and are being leased to MB Health for use by the various Regional Health Authorities. The prototype for another 20 ambulances has been inspected, with those 20 scheduled to arrive at *FLEET* over the summer months during 2002.

Following several meetings and workshops that began in March 2002, the independent consultants that were awarded the contract to assess operational options for *FLEET* and the Mechanical Equipment Services Branch of Transportation (MES) presented their draft report for consideration and comment in June 2002. The primary purpose of the study was to explore organizational options for *FLEET* and MES that will continue to provide vehicle and equipment leasing services to departmental customers at a low cost to the Manitoba taxpayer. It should be an interesting summer and fall as the report and recommendations are finalized, analyzed and summarized for presentation to Treasury Board in October.

As I do each year, I would once again like to express my appreciation to the management and staff at *FLEET*, and to our numerous clients, partners, and other stakeholders. Our many accomplishments at *FLEET* this year and in each of the past 10 years could not have been achieved without your combined efforts.

Dennis Ducharme
Chief Operating Officer

Celebrating Ten Years as a Special Operating Agency

Ten years have come and gone since *FLEET* became a Special Operating Agency (SOA).

We may have been the first SOA in the province, but there have been many more (16 more, in fact) who have joined us in the provincial ranks as SOAs. We like to think that we somehow made life a little easier for the succeeding SOAs, because they undoubtedly benefited from the transition-from-branch path that we explored.

Dennis serving cake to Sandi and Shannan.

April 5, 2002, was the day chosen to mark our 10th birthday at *FLEET*. An extended lunch hour from work and an abundant supply of food meant excellent participation from our staff, some of whom are seen in accompanying pictures. We also invited guests, and many came —not as many as were there for our 5th birthday party, but then we weren't presenting Finance with a cheque for $2.6 million this time around like we did then.

The festivities were held on the hosed-down shop floor, with the shop area itself spruced up with balloons and banners for the occasion by members of our Social Committee.

The theme was "The Way We Were." In keeping with the theme, there was the opportunity to provide answers to a Trivia Contest comprised of 10 questions dealing with *FLEET*'s history (with a *FLEET* golf shirt as the prize).

Gerry Berezuk and Rick Popel puzzle over contest questions. Derek samples the food.

Following congratulatory comments by Dennis Ducharme (our COO), Gerry Berezuk (our A/DM) and Tracey Danowski (our A/ADM), there was an even longer *FLEET* Trivia Contest, designed to encourage audience participation. This contest featured purportedly more difficult questions, with some of those questions even having debatable "right" answers.

We at *FLEET* are sincerely proud of our first 10 years. But we fully realize that these first 10 years are only the beginning of the journey. There continue to be new challenges to face, both operationally and environmentally. The overwhelming success story of the ongoing Ambulance Program might open doors a little wider for *FLEET* to enter additional markets in the broader public sector. Relatively new Guidelines that deal with various issues in the Sustainable Development program probably mean a somewhat different emphasis in performing our more traditional services.

And Sean and Doug continue to work, because the job's not done yet....

A perfect 10? Far from it. We did a lot of things right, but there are things that we would do differently. We can only hope and trust, however, that we are able to meet the challenges of the next 10 years with the same success ratio that we enjoyed in the first 10.

To be continued into the future....

Profile and Direction of Fleet Vehicles Agency

Fleet Vehicles Agency (*FLEET*) has one of the larger single fleets of vehicles in Manitoba and, as an agency within Manitoba Transportation and Government Services, our main clients are the departments, agencies and crown corporations of the provincial government. As a supplier of complete vehicle management services, we are, however, exploring new market opportunities to provide our services to broader public sector organizations throughout the province.

The fleet currently consists of more than 2,600 vehicles including trucks (52%), vans (31%), sedans (15%) and ambulances (2%) operating from more than 600 locations throughout the province. Annual distance travelled by the fleet exceeds 50 million kilometres and annual fuel consumption is now approaching nine million litres.

Our Mission Statement

"We are committed to provide our clients with a complete range of quality fleet management services to assist in the efficient delivery of public programs."

On at least an annual basis, the management at *FLEET* scrutinizes its Vision and Mission Statements to ensure that these two important statements reflect the current direction desired by our management and staff, and by our major stakeholders. The most recent change from this self-examination process occurred to our vision statement in the fall of 2001, when we changed the adjective from "complete" to "all" in front of "...vehicle and equipment management services...."

FLEET's management and staff also annually formulate our operating goals and objectives, developing several guiding principles that we feel are important in the achievement of our continuing success. The critical success factors developed for 2001/02 and our results in addressing each factor's related goals and objectives are discussed in this Report in the section "Operating Objectives and Results."

As we at *FLEET* continue to work towards achieving our mission and vision, our actions and our working relationships will also be guided by, and reflect, the following important values:

- *Satisfy and exceed stakeholder expectations,*
- *Provide dependable and responsive service at competitive prices,*
- *Promote open communication and teamwork,*
- *Encourage individual learning, growth and achievement,*
- *Provide a safe work environment for all employees, and*
- *Eliminate or minimize risks to the environment.*

Our Vision Statement

"To provide all vehicle and equipment management services to the broader public sector."

Our Products and Services

FLEET's employees provide complete fleet administration support and vehicle maintenance to our clients from a central Winnipeg administration office and full service repair facility. Approximately one-third of the fleet is serviced from the Winnipeg garage and the remainder is serviced by the Agency's private sector contacts throughout Manitoba, with *FLEET* ensuring high service standards to customers regardless of location.

FLEET provides a full range of quality fleet management services. Our main objective is to serve public-sector organizations, in the anticipation that the development of partnerships with other levels of government will lead to the most efficient use of resources and cost savings to each partner.

Vehicles currently available range from compact sedans and half ton trucks to full size vans for the majority of our clients. In 2001/02, Manitoba Health added to vehicle types available when it began to lease ambulances from us for use by the various Regional Health Authorities. Client specifications determine the requirements for vehicles ordered and the flexible lease terms that are arranged. We also maintain a number of older vehicles for public sector organizations to lease at lower rates on a seasonal basis.

The average age of the fleet, excluding seasonal vehicles, is currently 3.1 years, which is greater than our private sector competitors but comparable to other public sector fleet operations. Our vehicle replacement program maximizes fleet discounts on vehicle purchases, with those discounts reflected through our vehicle lease rates. Although the Agency can recommend optimal vehicle replacement, it is ultimately our clients' decisions when to replace their vehicles, and this is often affected by funding restrictions.

Costs arising from the acquisition and operation of a vehicle are charged monthly to our customers through rent (usually fixed for the term of the lease) and variable (based on kilometres driven) rate structures. Centralized payments of all vehicle operating and administrative costs, including repair and fuel bills, eliminate the administrative task for our customers and allow us to take advantage of discounts and volume rebates.

Our repair facility's qualified personnel provide regular servicing, repairs, parts and bodyshop maintenance. Our garage is an accredited Private and Commercial Vehicle Inspection Centre. We can inspect all types of vehicles including taxicabs, medium and heavy duty trucks, cars and light duty trucks, school and transit buses, ambulances, and air brake equipped vehicles. Our bodyshop is qualified by Manitoba Public Insurance as an accredited Autopac autobody facility.

Maintaining or Expanding Our Market

Over the past 68 years, *FLEET* has developed a range of products and services to meet the needs of provincial government clients. *FLEET*'s services fall into two main groups: Vehicle Services and Fleet Management Services. Taken together, these services constitute the Full Service package recommended by *FLEET*. Vehicle Services include leases, long-term rentals, short-term (pool) rentals, and vehicle insurance and registration. Fleet Management Services cover a whole range of services including a *FLEET* credit card for fuel purchases, repair authorizations, a preventive maintenance program, an invoice payment service, a taxable benefit program and a complete history of cost, maintenance and distance for each vehicle.

Throughout 2001/02, our staff used the valuable information collected and stored by Keys™, our Fleet Management Information System, to assist customers in analyzing aspects of their vehicle costs and to provide detailed billing data tailored to each customer's specific needs.

Present provincial clients have the option of tendering their new vehicle requirements with *FLEET* or with private sector leasing companies. Private sector bids may be accepted over *FLEET*'s bid only if the departments or agencies are able to demonstrate to Treasury Board that the provincial government would receive better value for its dollar if the department's or agency's fleet management needs were provided by an organization other than *FLEET*. To date, no other organization has been located that is able to provide such value.

Although it remains *FLEET*'s intention to concentrate on further development within departments and agencies of the provincial government and to make further inroads with provincial crown corporations, our vision since 1992 has been to advance new market opportunities and services on a limited basis to the broader public sector within Manitoba. With the approval in March 2000 for *FLEET*'s access to Loan Act Authority to acquire vehicles for lease to these potential markets, the previous barrier to making serious inroads has been removed. Our current objective is to approach specific target markets and prospective new clients who expressed interest in the past, and to ready, promote and position ourselves to commence the process of tapping into these markets.

Structure for Operations

Historical Perspective

Fleet Vehicles Agency was established as a branch of the Manitoba Provincial Government in 1934 to provide centralized fleet management and related services to provincial departments, agencies and crown corporations. It was established to maximize efficiencies in vehicle acquisitions, maintenance and use, and to lower overall vehicle operating costs.

On April 1, 1992, the branch was approved as a Special Operating Agency (SOA), the first such agency to be created in Manitoba and at the provincial level in Canada.

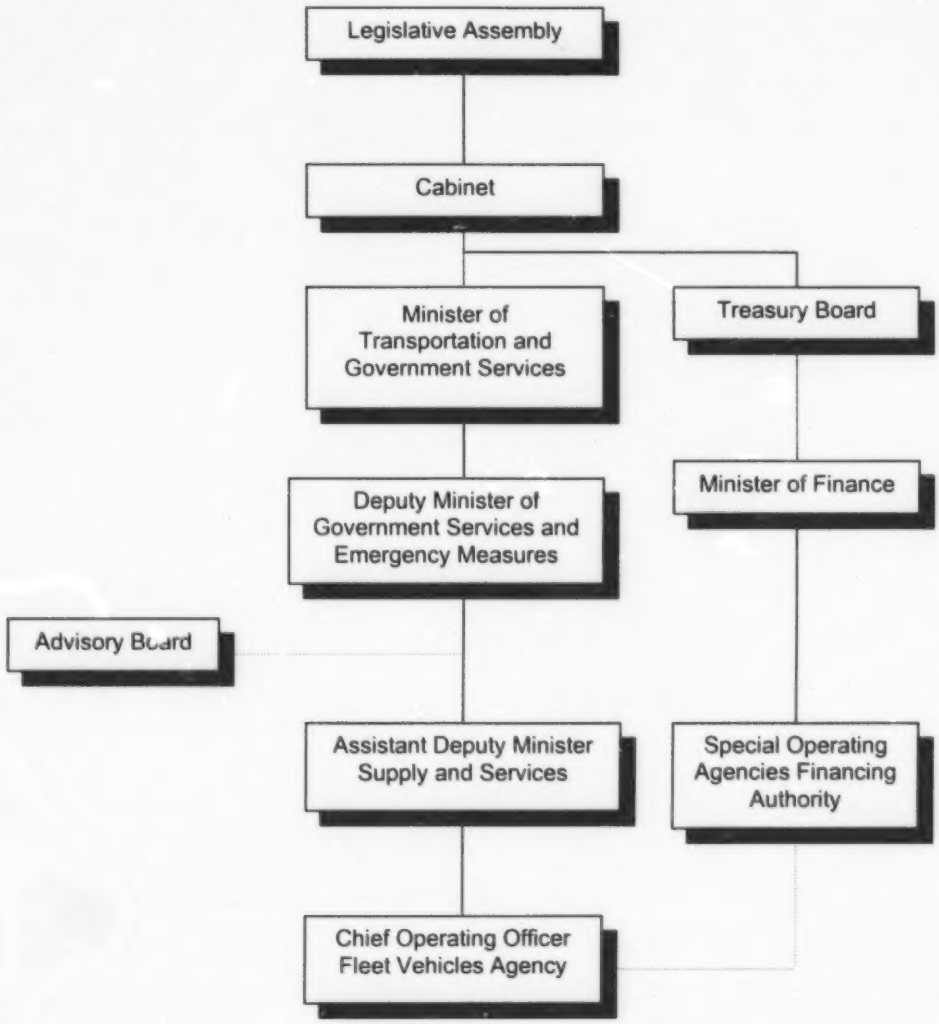
Accountability Structure

As an organization within Manitoba Transportation and Government Services, *FLEET* reports directly to the Assistant Deputy Minister, Supply and Services, and is held accountable to the Deputy Minister of Government Services and Emergency Measures and to the Minister of Transportation and Government Services for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities.

Governance and accountability are substantiated by *FLEET*'s compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by The Special Operating Agencies Financing Authority Act. Financial and operational information and requirements are disseminated to and from Treasury

Board through a SOA Coordinator at Treasury Board Secretariat. The Accountability Structure Chart presented below outlines the current structure.



Advisory Board

The Advisory Board for Fleet Vehicles Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan and any proposed changes to the Agency Charter. The Board's members offer advice and direction on short and long term strategic planning, reporting and management issues of concern to us and to our stakeholders in both the private and public sectors.

Members of the *FLEET* Advisory Board as of March 31, 2002, are listed on page 10.

Fleet Vehicles Agency

Members of the Advisory Board
March 31, 2002

CHAIR	***Gerry Berezuk*** *A/Deputy Minister* Government Services and *Emergency Measures*	
MEMBERS		
Private Sector Representatives	***Norm Fiske*** *Partner* Sill & Company	***Raymond West*** *Retired Chairman of the Board* A. E. McKenzie Co. Ltd.
Client Representatives	***John Hosang*** *Assistant Deputy Minister* Manitoba Transportation and Government Services	***Al Macatavish*** *Retired Vice President* Manitoba Hydro
Ex Officio	***Tracey Danowski*** *A/Assistant Deputy Minister* Manitoba Government Services	***Dennis Ducharme*** *Chief Operating Officer* Fleet Vehicles Agency
Staff Representative	***Derek Boutang*** *Systems Analyst* Fleet Vehicles Agency	

Organization Chart

FLEET's current staff complement has more than 250 years of combined experience in the provision of fleet management and related services. The Agency employs a team of qualified, service-oriented administrative staff to meet the needs of our clients, and fully qualified, certified and licensed shop personnel who offer top of the line technical service.

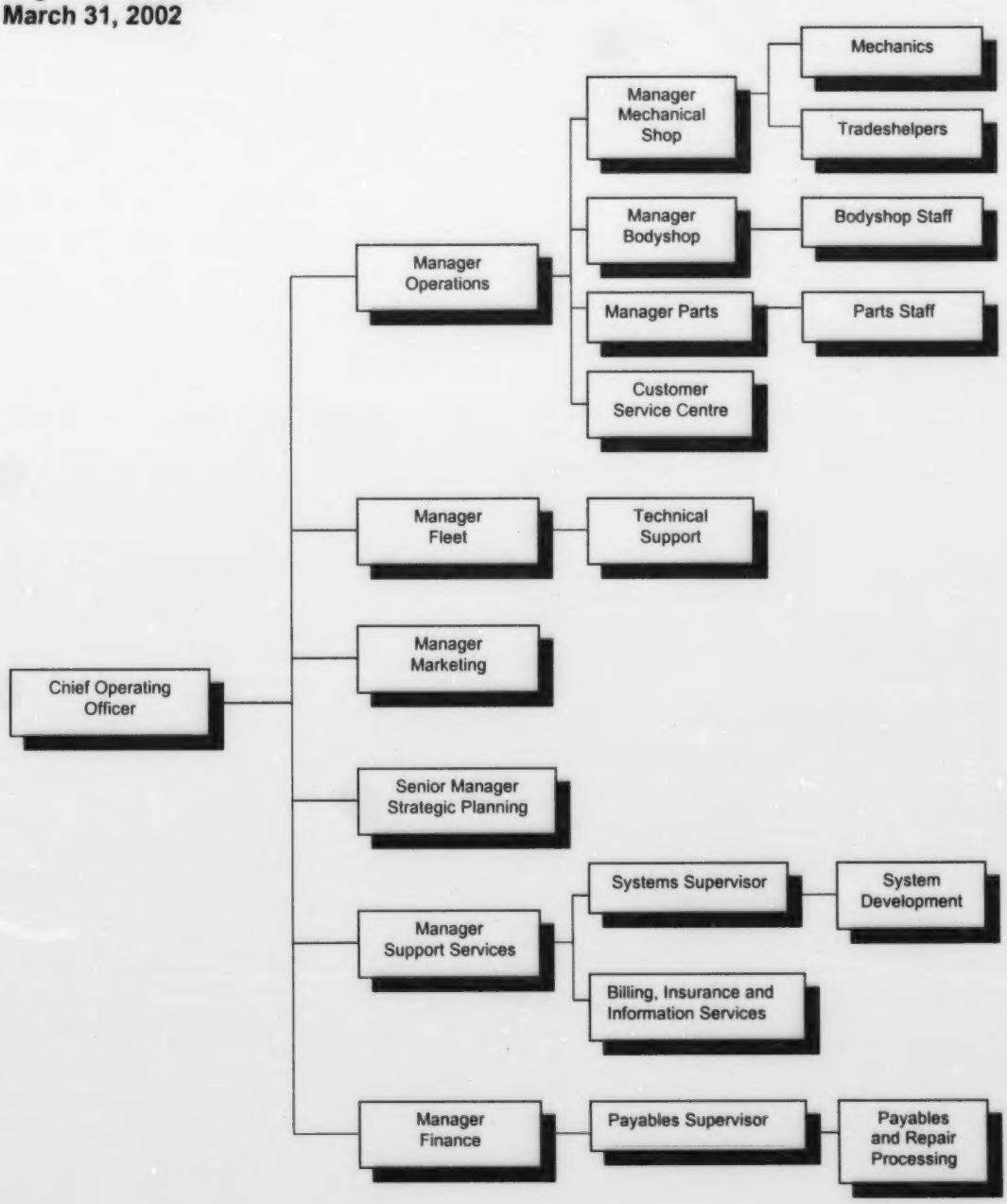
On becoming a Special Operating Agency in 1992, *FLEET* operated with 48 approved staff positions. Of that number, all are currently filled by employees who are designated as regular full time employees (FTEs). In January 2001, Treasury Board approved the conversion of two term employees to regular full time employee status, resulting in a current staff complement of 50 regular FTEs.

Also in January 2001, Treasury Board approved delegated authority for the Agency to manage its staff complement independently, without prior Treasury Board approval, which means that the *FLEET* management can engage incremental staff as business circumstances dictate. This delegated authority is reviewed annually by Treasury Board as a part of their review of each year's Business Plan.

The *FLEET* management team works closely together to set the direction for the Agency and to create an environment that allows employees to attempt to achieve organizational goals.

The Organization Chart presented below reflects the reporting and working relationships that have developed at *FLEET* in the years since we became a Special Operating Agency.

Fleet Vehicles Agency
Organization Chart
March 31, 2002



Operating Objectives and Results

Each year, the management and staff at *FLEET* identify key objectives in the preparation of our annual Business Plan that we consider important to the continuing success of the Agency. The major goals and objectives that were established and highlighted in the finalization of our 2001/02 Plan in March 2001 are presented below. These goals and objectives were monitored by management on a regular basis during 2001/02 through a detailed step-by-step performance framework that we call The *FLEET* Plan. Highlights of our progress in meeting the performance targets that were included as a part of our 2001/02 Business Plan are provided below in italics.

Enhance the Value and Quality of our Service to Meet Stakeholders' Expectations

In the ten years that *FLEET* has been a SOA, our various stakeholders have come to expect a high level of service and results from the Agency, its management and staff. Operating as an optional service since April 1996 has made us realize that to retain or expand our current client base, we must ensure that the provided level of service continues, or is even enhanced. All employees expect that *FLEET* will continue to provide interesting opportunities for continued employment and reasonable rates of remuneration. Other stakeholders more distantly removed have reviewed our annual operating results and statistics, and have encouraged us to continue to operate positively and to improve our performance even further.

We at *FLEET* have responded to the challenges of the past 10 years and look forward to attempting to meet the expectations of our various stakeholders in the future.

Goal Retain existing clients through efficiencies and increased customer satisfaction.

Objective Be the successful bidder on 100% of current client tenders for vehicle leasing and management for the 2001/02 business year. *No clients went to tender for their model year 2002 new and replacement vehicles.*

Objective Maintain the number of seasonal vehicles available between 500 and 525 for the 2001/02 seasonal program. *There were 520 seasonal units committed to the 2001/02 seasonal program.*

Objective Purchase one more alternate fuel vehicle during 2001/02 for use in our pool program. *We tendered for a bi-fuel pickup truck, but no manufacturers responded to the tender. We continue to explore options for an additional alternate fuel vehicle to test within our pool program.*

Objective Investigate manufacturer and vehicle options for purchase of replacement vehicles during 2001/02 that use a combination of ethanol and gasoline. *In September 2001 we established a model list of E85 vehicles available to our customers. As a part of our model year 2002 vehicles purchase order, we ordered and received 34 E85 Mini Vans, 30 for client departments and four for the FLEET pool.*

Goal **Maximize vehicle repair facility efficiencies to ensure high quality service to provincial and broader public sector clients operating within the vicinity of Winnipeg.**

Objective Maintain repair services that are cost competitive through a quarterly minimum labour productivity rate of 90%. *The labour productivity rate for the first, second, third and fourth quarters of 2001/02 was 94%, 103%, 78% and 81% respectively, with the combined annual average for 2001/02 coming in at 85%.*

Objective Ensure high quality service work by maintaining a work order comeback rate less than 1.5%. *The work order comeback rate for the first, second, third and fourth quarters of 2001/02 was 0.84%, 0.80%, 0.43% and 0.31% respectively, with the combined rate for 2001/02 coming in at 0.59%.*

Objective Maintain a maximum parts markup of 16% for 2001/02. *Parts were charged into work orders during the 2001/02 year at a markup rate of 16%.*

Administer Assets and Resources in a Fiscally Responsible Manner

The management and staff at *FLEET* have been entrusted with considerable assets and resources to embark upon our plans and procedures to fulfill the main thrust of our mission statement. It is only fitting that those assets and resources be safeguarded and enhanced, and that they be applied to optimize the efficiencies of the various *FLEET* programs. It is one of the ways in which *FLEET* can perform some of the objectives of its SOA mandate.

Goal **Manage *FLEET*'s use of Loan Act Authority to finance the purchase of new and replacement vehicles.**

Objective Maintain *FLEET*'s draw down percentage relative to vehicle costs (except for ambulances) at a maximum rate of 60%. *Our projections continue to use 55% as the estimated draw down rate towards the cost of trucks, vans and sedans. For ambulances, our projections continue to use a number that approximates 100% in funds from Loan Act Authority. During the 2001/02 year, we drew down $4,550 towards the $9,635 cost of trucks, vans and sedans, which represents an actual draw down rate of only 47.2%.*

Objective Achieve a maximum debt to equity ratio of 1.82 to 1 at March 31, 2002. *The actual debt to equity ratio as of March 31, 2002, was 1.49 to 1.*

Objective Maintain retained earnings at a minimum of $10 million through March 31, 2003. *Retained earnings as of March 31, 2002, were $12,469.*

Goal **Safeguard and maximize use of assets and resources.**

Objective Achieve minimum annual financial ratios for 2001/02 of:

Return on total revenue: 7%. *The return on total revenue for the year ended March 31, 2002, was 11.72%.*

Return on average assets: 4%. *The return on average assets for the year ended March 31, 2002, was 7.72%.*
Return on average equity: 10%. *The return on average equity for the year ended March 31, 2002, was 18.66%.*

Objective Maintain days sales in receivables at a maximum of 45 days at the end of each quarter. *We achieved a record breaking 27.3 days as of March 31, 2001. As of June 30, September 30 and December 31, 2001, and March 31, 2002, we increased back up to 32.3, 37.6, 39.7 and 34.2 days respectively—numbers still well below our targeted 45 days.*

Objective Perform a re-evaluation of our Operating Charter and delegated authorities by September 30, 2001, to determine areas where our decision-making ability may have eroded. *The review was performed and comments were included in our 2002/03 Business Plan.*

Operate Efficient and Effective Management Information Systems

The Fleet Management Information System (FMIS) consists of two main components: the Great Plains Dynamics accounting package and Keys™, our vehicle and equipment management package. Both are fully integrated, and both are considered "out of scope" in *FLEET*'s operation within the provincial government's Desktop Initiative program. Other FMIS tools utilized for information storage and retrieval are "in scope" including Microsoft Access, Word, Excel, PowerPoint, and Outlook. *FLEET*'s computer specialists continually upgrade and enhance the FMIS to improve shop and administration productivity and to provide meaningful information to our clients.

Goal **Implement a management information system that meets the needs of internal and external clients.**

Objective Enhance Keys™ in the following areas by March 31, 2002:

- Conduct a technology review to investigate options for improving shop performance. *This review has been postponed until 2002/03 to provide our IT staff additional time to work on projects that are currently considered more urgent.*
- Implement the findings from the shop technology review.
- Integrate invoice processing between Keys™ and Dynamics. *In September 2001, Keys™ v2.0 was released. This version introduced an enhanced rent billing/invoicing module that includes an insurance invoicing component. The Keys™/Dynamics direct link was completed on October 31, 2001.*
- Provide an electronic alternative to Vehicle Services Transaction Forms (VSTFs). *A precursor to this application is the Keys™ Support Centre application which was released for in-house use on October 31, 2001. A decision on the electronic alternative to VSTFs will be made following the release of Unit Agreements scheduled for May 2002.*

- Develop a reservation system for seasonal and pool vehicles. *The reservation module will be released as a part of Unit Agreements, with the tentative release scheduled for May 2002.*

Advance New Market Opportunities

FLEET's main clients are the departments, agencies and crown corporations of the provincial government. They are key to our survival as a business and continue to present growth opportunities for us. Although they will continue to be of prime importance to us, our Business Plans for the past several years directed us to broaden our market focus to federal and municipal levels of government and to related funded agencies. *FLEET* services to the broader public sector were offered through 1999/2000 without access to provincial financing for vehicle acquisitions. We quickly learned that interest from targeted new markets is limited when financing is not part of the service package. The $1 million in special Loan Act Authority approved as a part of our 2000/01 Business Plan provides us with an opportunity to explore these prospective new markets.

Goal **Increase revenue from potential target markets.**

Objective Increase revenues by 5% in 2001/02 to crown corporation, municipal, school division and federal target markets. *Significant increases in revenue (all well in excess of 5%) have been made during 2001/02 to non-provincial markets.*

Objective Excluding ambulance acquisitions, increase revenues by 5% in RHA market in 2001/02 (through leases and fleet management services for light duty/EMS vehicles). *New revenue sources introduced during 2001/02 include: a 3/4 ton truck outfitted with the Jaws of Life for the Interlake RHA, and two vans and one wheelchair van for the Churchill RHA.*

Objective Launch ambulance program successfully with 40 vehicles delivered for lease starting in October 2001 and 20 vehicles delivered for lease starting in January 2002. *Sixty ambulances were ordered in January 2001 for delivery during 2001/02. Deliveries against the order started in May 2001 and, as of December 31, 2001, all 60 ambulances were received by FLEET and leased to Manitoba Health. In addition, two "Train the Trainer" sessions were held in May and June 2001 to orient key contacts in the RHAs to our various services.*

Goal **Retain 100% of current customers and vehicles.**

Objective Educate customers about our Fleet Management Service package through a minimum of two *FLEET*-planned events, speaking engagements or communications in 2001/02. *Presentations and communications include: a presentation to Manitoba Education in April on the possibility of FLEET providing full fleet management services for school buses; the preparation and distribution of our 2002 Vehicle Ordering Guide to customers in May; an EMS directors orientation session in May; five sessions in June as a part of our 2001 Customer Conference, attended by a total of 45 customers; and the distribution of a Customer Newsletter in September to all clients.*

Objective Implement a Market Research Program by March 31, 2002. *A second Vehicle Ordering survey was conducted in September 2001. With the departure of our Manager, Marketing in February 2002, further results on this objective will be delayed until 2002/03.*

Objective Test-launch self-reporting vehicle service to selected customers and have a minimum of 10 vehicles using this service by March 31, 2002. *The self-reporting vehicle service, now called "KeysLink," was introduced to customers as a section within the 2002 Vehicle Ordering Guide. Unfortunately, the U.S. supplier that was providing us with the "black boxes" has experienced financial difficulties, and distance data that was being transmitted to FLEET is now cost prohibitive to obtain.*

Foster an Agency that Informs, Prepares and Empowers Employees.

FLEET received an approved staff complement of 48 positions on becoming a SOA in 1992, with that complement increased to 50 in January 2001. Term positions are added as required for specific projects. The managers of each specific activity centre are professionally qualified and thoroughly experienced to manage their individual areas of responsibility. Of the approximately 50 employees currently at *FLEET*, the majority have been with the Agency for several years and are well versed in fleet management services.

Goal Prepare a skilled workforce for the changing work environment.

Objective Provide an average of a minimum of 10 hours of development training for all repair facility staff in 2001/02. *An average of a minimum of 10 hours of training was provided for all repair facility staff during 2001/02.*

Objective Ensure all *FLEET* managers and staff receive training identified from the yearly Performance Management program within 12 months of identification. *We are currently waiting for the completion of material by managers and supervisors before the program can move forward.*

Objective Review positions occupied currently by term employees by June 30, 2001, to determine those that should be classified as "regular." *The review was completed, and it was determined that current term employees should remain as "terms" at the present time. That decision will be reviewed by the term employees' supervisors on a periodic basis to ensure that the status of the positions meet the requirements of the current MGEU contract.*

Objective Introduce "competency-based jobs" process by December 31, 2001, to *FLEET* managers to formalize the succession-planning process at *FLEET*. *This project has been deferred until May 2002.*

Goal Work towards implementing a rewards strategy to encourage full and effective utilization of assets and resources.

Objective Search out new government initiatives, review plans in other jurisdictions, and develop an approach and material for a new report by September 30, 2001, for inclusion with our 2002/03 Business Plan. *Nothing was included with our 2002/03 Business Plan in connection with this objective. We are currently determining the necessity of the objective.*

Financial Performance

The following financial review and analysis compare the actual results for the year ended March 31, 2002, to the projections for the same period and to the actual results for the year ended March 31, 2001. The projected financial statements are those that were prepared in October 2000 as a part of *FLEET*'s 2001/02 Business Plan. This review and analysis should be read in conjunction with *FLEET*'s audited financial statements for the year presented on pages 26 to 34.

All dollar amounts in the review and analysis are in thousands of dollars.

Operating Results

As summarized in Table 1, *FLEET* reported net earnings of $2,925 for the year ended March 31, 2002, compared to a projected $1,755 and an actual $2,741 for the years ended March 31, 2002 and 2001 respectively. Although revenue increased by $2,371 for the 2001/02 year over that for 2000/01, the majority of the increase was offset by an increase in operating expenses of $2,187. Vehicle operating expenses showed the largest increase, going up by $1,510 in 2001/02 compared to the preceding year.

Table 1
(In thousands of dollars)

	2002 Actual	2002 Projected	2002 Actual vs. 2002 Projected Increase/ (Decrease)	2001 Actual	2002 Actual vs. 2001 Actual Increase/ (Decrease)
Vehicle leases	$ 22,304	$ 21,637	$ 667	$ 20,349	$ 1,955
Gain on disposal of vehicles	875	424	451	727	148
Interest income	11	89	(78)	80	(69)
Other revenue	1,799	1,450	349	1,462	337
Total revenue	**24,989**	**23,600**	**1,389**	**22,618**	**2,371**
Salaries	1,958	1,949	9	1,925	33
Vehicle operating expenses	17,806	17,338	468	16,296	1,510
Administrative expenses	1,284	1,439	(155)	860	424
Community service	32	28	4	28	4
Interest expense	951	1,091	(140)	768	183
Loss on disposal of equipment	33	0	33	0	33
Total expenses	**22,064**	**21,845**	**219**	**19,877**	**2,187**
Net earnings	**$ 2,925**	**$ 1,755**	**$ 1,170**	**$ 2,741**	**$ 184**

Financial Performance

The following financial review and analysis compare the actual results for the year ended March 31, 2002, to the projections for the same period and to the actual results for the year ended March 31, 2001. The projected financial statements are those that were prepared in October 2000 as a part of *FLEET*'s 2001/02 Business Plan. This review and analysis should be read in conjunction with *FLEET*'s audited financial statements for the year presented on pages 26 to 34.

All dollar amounts in the review and analysis are in thousands of dollars.

Operating Results

As summarized in Table 1, *FLEET* reported net earnings of $2,925 for the year ended March 31, 2002, compared to a projected $1,755 and an actual $2,741 for the years ended March 31, 2002 and 2001 respectively. Although revenue increased by $2,371 for the 2001/02 year over that for 2000/01, the majority of the increase was offset by an increase in operating expenses of $2,187. Vehicle operating expenses showed the largest increase, going up by $1,510 in 2001/02 compared to the preceding year.

Table 1
(In thousands of dollars)

	2002 Actual	2002 Projected	2002 Actual vs. 2002 Projected Increase/ (Decrease)	2001 Actual	2002 Actual vs. 2001 Actual Increase/ (Decrease)
Vehicle leases	$ 22,304	$ 21,637	$ 667	$ 20,349	$ 1,955
Gain on disposal of vehicles	875	424	451	727	148
Interest income	11	89	(78)	80	(69)
Other revenue	1,799	1,450	349	1,462	337
Total revenue	**24,989**	**23,600**	**1,389**	**22,618**	**2,371**
Salaries	1,958	1,949	9	1,925	33
Vehicle operating expenses	17,806	17,338	468	16,296	1,510
Administrative expenses	1,284	1,439	(155)	860	424
Community service	32	28	4	28	4
Interest expense	951	1,091	(140)	768	183
Loss on disposal of equipment	33	0	33	0	33
Total expenses	**22,064**	**21,845**	**219**	**19,877**	**2,187**
Net earnings	**$ 2,925**	**$ 1,755**	**$ 1,170**	**$ 2,741**	**$ 184**

Actual lease revenues for the year were $1,955 higher than they were for the same period one year earlier, and $667 more than projected. Major contributing factors in the year over year comparisons include: (1) the fleet was driven more than two million kilometres further in 2001/02 than it was in 2000/01, and (2) ambulance revenues of $771 are included in 2001/02 with no ambulance revenues in the preceding year. The primary contributing factor when 2001/02 actual is compared to projected is that all vehicles (ambulances, trucks, vans and sedans) arrived from the manufacturers and were out to customers earlier than projected, thereby providing revenues earlier than anticipated and, for replacement vehicles, at higher monthly rental rates.

The majority of the increase in lease revenues in the year over year comparisons was offset by the $1,510 increase in vehicle operating expenses, with the significant increases in those expenses coming in vehicle amortization ($860) and repairs and maintenance ($355). The fuel costs increase that resulted from comparing actual to projected prices that was prevalent as a variance explanation during the early part of 2001/02 disappeared by year-end, with the $192 annual increase in fuel the result of increased distances driven by the fleet during the year.

Our reported gain on disposal of vehicles is $875 for the year, compared to a projected $424. A growing trend with some of our customers is to complete a vehicle's lease period, but retain that vehicle for another one to two years beyond the lease period. In the 2001/02 year, 278 of the 340 vehicle dispositions actually followed this pattern. In these cases, as each vehicle comes off lease, a settlement is made with the customer based strictly on the residual value within the lease agreement. No money exchanges hands, and no gain or loss is recognized in our records. Depreciation, however, continues to be recorded by us throughout the period that we own the vehicle. At the end of the one to two year period the customer continues to retain the vehicle, no settlement is required with the customer, because that happened at the completion of the lease period. The vehicle's sale at auction triggers a comparison between the sale proceeds and the vehicle's remaining net book value in our records, and a gain or loss (normally a gain) is recorded. The end result from the application of this process during 2001/02 is this: Although the average $4.5 disposal proceeds per vehicle were less than the $6.4 projected, those proceeds, when compared to the depreciated value of the disposed vehicles in our books, contributed a much larger gain than we projected.

The loss on disposal of equipment of $33 primarily relates to the writing off of the remaining net book value of the KeysLink equipment that was purchased in 2000/01 to monitor vehicle distance on a test basis.

Interest income of $11 for the year ended March 31, 2002, compared to a projected $89 and actual $80 a year ago, is a reflection of the decision made during the first quarter of 2001/02 for all SOAs including *FLEET* to transfer their pension-related funds and obligations to the Province. The Pension part of Note 2 to the financial statements discusses and explains this new policy.

Other revenue of $1,799 for the 2001/02 year is $349 more than projected and $337 more than reported in 2000/01. The increases are primarily in Autopac service revenue generated by our bodyshop.

Interest expense of $951 for the 2001/02 year compares favourably to the $1,091 projected, even though *FLEET* has experienced increased periods in a working capital payable position, as well as continually higher levels of borrowing from Loan Act Authority. The main ingredient keeping the actual amount below the projected amount is the considerably lower actual interest rates experienced compared to the ones we used for our projections.

Human Resource Overhead is reported at $390 for the 2001/02 year compared to a projected $539. The $539 projection included pension and severance pay obligations at higher levels than have now been determined necessary, as a result of actuarial valuations finalized in February 2001.

The *FLEET* Facts section on pages 35 to 39 is more than just interesting statistics; it summarizes information and calculations monitored by the managers at *FLEET* to investigate differences and control our operations. Several areas bear watching and may even be included in future customer surveys:

- The 53,656 total kilometres driven by the fleet during 2001/02 are more than the kilometres driven last year but less than projected. Because a major ingredient in our variable rates is the recovery of fuel costs, those variable rates have increased proportionate to fuel prices in the past two to three years. We therefore may not have reached the projected distance level because departments are instructing their drivers to cut back where possible.

- The average lease rate per kilometre primarily includes the rent and variable billing amounts invoiced monthly by *FLEET* divided by the number of kilometres driven. The calculation shows a jump to $0.4157 for 2001/02 from $0.3946 in 2000/01 to cover increased costs. The *FLEET* managers are very much aware that increased rates per kilometre driven could bring about unfavourable customer reaction.

- Fuel consumption has increased to 8,906 thousand litres during 2001/02, a significant increase over 2000/01, even when one considers that the fleet drove approximately two million kilometres more in the current year than it did one year ago. The calculated increase shows 16.60 litres consumed per 100 kilometres driven, up from 16.19 litres—a statistic that certainly requires watching during 2002/03.

- The price for fuel during 2001/02 averaged out to 60.7 cents per litre net of the discounts that *FLEET* is able to obtain, a decrease from 62.4 cents in 2000/01. On almost nine million litres of fuel, the 1.7 cents per litre decrease provides a reduction in fuel costs of slightly more than $150. When compared to the projected 64.5 cents per litre, the savings in fuel costs become even more significant.

The *FLEET* managers will continue to regularly monitor these statistics, to invoke rate and other changes as soon as they are required, to ensure that *FLEET* continues to perform up to the expectations of all stakeholders.

Financial Position

The fleet size totals 2,696 units as of March 31, 2002, compared to a fleet of 2,609 one year earlier. We received 427 vehicles during the year (including 60 ambulances ordered for use by the RHAs) and disposed of 340 vehicles.

The carrying value of our capital assets at $37,319 is $626 more than projected and $7,227 more than the reported $30,092 one year ago. Of the increase in net book value during the year, $4,906 relates to the 60 ambulances received during the year. The $5,178 cost for ambulances averages out to $86.3 per ambulance, somewhat less than our projected $93.0 cost. Of the $14,813 for vehicle acquisitions during the year, the remaining $9,635 for the 367 trucks, vans and sedans averages out to $26.3 per vehicle, somewhat more than our projected $24.4. The average invoice cost for vehicle acquisitions (apart from ambulances) during the 2001/02 year was $24.3. Included in the capitalized cost of the vehicles recorded in our books and records is an amount for capitalized extras—the majority for vehicles for Manitoba Lotteries Corporation.

Draw downs from Loan Act Authority during the 2001/02 year amounted to $9,950, compared to $5,650 in 2000/01. The difference between years relates primarily to the $5,400 amount that was drawn down towards the purchase of 60 ambulances in 2001/02. We actually projected drawing down $11,300 during the 2001/02 year; that we didn't is primarily attributable to the level of net earnings for the year compared to our projections.

The draw downs during the year are reflected in our outstanding Loan Act Authority balance as of March 31, 2002, with that balance continuing its annual upward climb. Although less than projected, our Loan Act Authority outstanding position of $18,580 is $5,321 higher than the $13,259 one year earlier. Of the increase, $5,204 relates to the $5,400 drawn down for ambulances, with the remaining $117 increase a further amount borrowed towards the acquisition of, and carrying value for, our trucks, vans and sedans.

Our cash and cash equivalents position as of March 31, 2002, nets to a working capital payable balance of $3,909, almost "bang on" with our projected position at that date, and $347 more than our actual working capital payable position of $3,562 as of March 31, 2001.

As indicated in our 2000/01 Annual Report, $656 in pension obligations were transferred to the Province during the first quarter of 2001/02 out of the $1,082 in short term investments as of March 31, 2001. There are no further pension obligations to be paid by *FLEET* out of this segregated fund amount. Accordingly, the remaining amount in short term investments reported as of March 31, 2001 (the remaining $426 plus interest), was therefore transferred during the year into funds available for operating purposes.

As was the case at March 31, 2001, and in each of the first three quarters during the 2001/02 year, we have delayed the payment of our March 31, 2002, quarterly instalment in revenue sharing. The $500 and $250 from March 31 and June 30, 2001, were paid in August, once our cash position temporarily returned again to the asset side of our balance sheet. The September 30 and December 31 amounts were paid during the fourth quarter of 2001/02. March 31, however, is the date each year that normally best reflects our working capital payable position problem. The $350 amount due March 31, 2002 ($250 quarterly amount plus a $100 additional amount directed by a Cabinet Submission and Order in Council in March 2002) was paid in June 2002.

Table 2 depicts the breakdown of our fleet as of March 31 each year for the past six years. The apparent increase in assigned, and decrease in long-term rental, units in the 2001 column is an anomaly of sorts; at the March 31 balance sheet date, several vehicles coming off lease or scheduled to come off lease, had yet to be moved over from the assigned to long-term rental designation. The 2002 breakdown more accurately reflects the current number of our assigned vehicles, and shows the trend towards fewer long-term rental units available on a seasonal basis.

Table 2

Categories of vehicles	1997	1998	1999	2000	2001	2002
Trucks, vans and sedans-						
Assigned, fleet management services	1,532	1,557	1,627	1,624	1,845	1,756
Assigned, dry leases	131	157	176	217	218	280
Long-term rentals (seasonals)	443	575	548	535	405	411
Short-term rentals (pool)	105	105	97	97	93	102
Awaiting reassignment	15	8	15	31	28	61
Awaiting disposal	91	88	10	85	20	26
Ambulances-						
Assigned, fleet management services						60
Total number of vehicles in the fleet	**2,317**	**2,490**	**2,473**	**2,589**	**2,609**	**2,696**

In addition to the categories listed above, as of March 31, 2002, we also had 32 vehicles not owned by us for which we provide full fleet management services.

Ratio Analysis

The three calculated rates of return in Table 3 below are all significantly in excess of our projections, but slightly below the rates achieved a year ago. Nonetheless, those percentages all reflect the banner year in net earnings experienced by *FLEET*.

The one ratio that continues to please the *FLEET* management is the calculated days sales in receivables. The 34.2 days as of March 31, 2002, is higher than the record breaking performance of 27.3 days achieved as of March 31, 2001, but still considerably better than our targeted projection. It would appear that our billing and collection problems from three to four years ago are now behind us.

Even with $2,000 in revenue sharing to the Consolidated Fund in each of the past three years and $1,100 for 2001/02, our debt to equity ratio of 1.49 to 1 as of March 31, 2002, continues to reflect a reasonably strong financial position. The ratio's trend, however, will continue to be one of increase as our debt continues to increase. Current projections indicate that *FLEET* will become much more highly leveraged in the next few years than it has been during its first ten years as a SOA.

Table 3

Ratio		March 31		
	Projected	Actual		
	2001/02 Year	**2002**	2001	2000
Return on total revenue	7.44%	**11.72%**	12.12%	10.35%
Return on average assets	4.51%	**7.72%**	8.28%	7.02%
Return on average equity	11.92%	**18.66%**	19.05%	15.61%
Debt to equity	1.82 to 1	**1.49 to 1**	1.34 to 1	1.26 to 1
Current ratio	0.39 to 1	**0.35 to 1**	0.40 to 1	0.41 to 1
Days sales in receivables	45.1 days	**34.2 days**	27.3 days	39.6 days

FLEET's current ratio continues to portray our major operating conundrum—the "asset rich but cash poor" problem that we have experienced now for several years. The textbook desired position for a current ratio is often suggested as 2 to 1, although it can vary from industry to industry. With a working capital payable position that is extremely close to our $4,000 limit each March 31, and with the current portion of our long term debt constantly on the rise, it is unlikely that we will ever approach that textbook desired position. We at *FLEET* would settle for a ratio that once again approaches one to one.

Financial Assessment to Date and for the Future

If success is measured in terms of financial achievement, *FLEET* has enjoyed considerable success during its ten years as a Special Operating Agency. We have had "bottom line" operating results that total $19,569 during that period, or average annual net earnings over ten

Ratio Analysis

The three calculated rates of return in Table 3 below are all significantly in excess of our projections, but slightly below the rates achieved a year ago. Nonetheless, those percentages all reflect the banner year in net earnings experienced by *FLEET*.

The one ratio that continues to please the *FLEET* management is the calculated days sales in receivables. The 34.2 days as of March 31, 2002, is higher than the record breaking performance of 27.3 days achieved as of March 31, 2001, but still considerably better than our targeted projection. It would appear that our billing and collection problems from three to four years ago are now behind us.

Even with $2,000 in revenue sharing to the Consolidated Fund in each of the past three years and $1,100 for 2001/02, our debt to equity ratio of 1.49 to 1 as of March 31, 2002, continues to reflect a reasonably strong financial position. The ratio's trend, however, will continue to be one of increase as our debt continues to increase. Current projections indicate that *FLEET* will become much more highly leveraged in the next few years than it has been during its first ten years as a SOA.

Table 3

Ratio		March 31		
	Projected	Actual		
	2001/02 Year	**2002**	2001	2000
Return on total revenue	7.44%	**11.72%**	12.12%	10.35%
Return on average assets	4.51%	**7.72%**	8.28%	7.02%
Return on average equity	11.92%	**18.66%**	19.05%	15.61%
Debt to equity	1.82 to 1	**1.49 to 1**	1.34 to 1	1.26 to 1
Current ratio	0.39 to 1	**0.35 to 1**	0.40 to 1	0.41 to 1
Days sales in receivables	45.1 days	**34.2 days**	27.3 days	39.6 days

FLEET's current ratio continues to portray our major operating conundrum—the "asset rich but cash poor" problem that we have experienced now for several years. The textbook desired position for a current ratio is often suggested as 2 to 1, although it can vary from industry to industry. With a working capital payable position that is extremely close to our $4,000 limit each March 31, and with the current portion of our long term debt constantly on the rise, it is unlikely that we will ever approach that textbook desired position. We at *FLEET* would settle for a ratio that once again approaches one to one.

Financial Assessment to Date and for the Future

If success is measured in terms of financial achievement, *FLEET* has enjoyed considerable success during its ten years as a Special Operating Agency. We have had "bottom line" operating results that total $19,569 during that period, or average annual net earnings over ten

years of $1,957. If just the past five years are considered, our average annual net earnings become $2,389, with net earnings exceeding 10% of annual revenues in each of those years.

Our balance sheet has not shone quite as brightly, although it too has had its moments. We paid off our start-up debt in just over five years, have significantly reduced the number of days sales held in receivables, and have financed a significant portion of the continuously-increasing net book value of our vehicles out of operations.

Table 4 below traces our debt position from inception, ignoring the $1,082 pension-related funds in short term investments as of March 31, 2001.

Table 4
(*In thousands of dollars*)

Year ended March 31	Working capital payable, net of cash	Original start-up debt outstanding	Loan Act Authority outstanding	**Working capital payable and long term debt**	Current portion of long term debt due within one year
	As of March 31 each year				
1992	$	$ 8,235	$	**$ 8,235**	$ 138
1993		8,097	3,800	**11,897**	787
1994	119	6,245	3,012	**9,376**	791
1995		4,313	2,354	**6,667**	821
1996	1,679	4,211	1,635	**7,525**	896
1997		2,638	6,226	**8,864**	2,141
1998			12,437	**12,437**	2,984
1999	1,855		12,652	**14,507**	3,747
2000	2,160		12,306	**14,466**	4,576
2001	3,562		13,259	**16,821**	4,288
2002	3,909		18,580	**22,489**	4,756

Although given 20 years to pay off our original $8,235 start-up debt, *FLEET*'s management recognized that the debt assumed primarily related to the vehicles assumed, and that repayment should be made over a period approximating the useful life of the vehicles to which it related. Accordingly, we made the final payment on our start-up debt on April 16, 1997, just over five years from the date we became a SOA.

Once our start-up debt was extinguished, requirements commenced for revenue sharing payments to the Consolidated Fund. Through March 31, 2002, those requirements total $7,100 over four years, with a further $1,500 required for the year ending March 31, 2003.

For the 1998 to 2001 years, our long-term debt position at year-end remained relatively consistent—$12,000 to just over $13,000—although the amount of principal due within one year increased dramatically, as more and more of the long-term debt approached its five year maturity dates. The inordinate increase in long-term debt in 2002 relates primarily to the borrowings for ambulances.

This increased principal requirement for long-term debt payments together with our revenue sharing payments has added working capital payable over continuously longer periods as a new ingredient in our financial equation. The $1,679 working capital payable position as of March 31, 1996, resulted from the payment of vehicle purchases, but was more than covered by an April 1996 draw down from Loan Act Authority. The $2,160, $3,562 and $3,909 amounts, as of March

years of $1,957. If just the past five years are considered, our average annual net earnings become $2,389, with net earnings exceeding 10% of annual revenues in each of those years.

Our balance sheet has not shone quite as brightly, although it too has had its moments. We paid off our start-up debt in just over five years, have significantly reduced the number of days sales held in receivables, and have financed a significant portion of the continuously-increasing net book value of our vehicles out of operations.

Table 4 below traces our debt position from inception, ignoring the $1,082 pension-related funds in short term investments as of March 31, 2001.

Table 4
(*In thousands of dollars*)

Year ended March 31	Working capital payable, net of cash	Original start-up debt outstanding	Loan Act Authority outstanding	**Working capital payable and long term debt**	Current portion of long term debt due within one year
	As of March 31 each year				
1992	$	$ 8,235	$	**$ 8,235**	$ 138
1993		8,097	3,800	**11,897**	787
1994	119	6,245	3,012	**9,376**	791
1995		4,313	2,354	**6,667**	821
1996	1,679	4,211	1,635	**7,525**	896
1997		2,638	6,226	**8,864**	2,141
1998			12,437	**12,437**	2,984
1999	1,855		12,652	**14,507**	3,747
2000	2,160		12,306	**14,466**	4,576
2001	3,562		13,259	**16,821**	4,288
2002	3,909		18,580	**22,489**	4,756

Although given 20 years to pay off our original $8,235 start-up debt, *FLEET*'s management recognized that the debt assumed primarily related to the vehicles assumed, and that repayment should be made over a period approximating the useful life of the vehicles to which it related. Accordingly, we made the final payment on our start-up debt on April 16, 1997, just over five years from the date we became a SOA.

Once our start-up debt was extinguished, requirements commenced for revenue sharing payments to the Consolidated Fund. Through March 31, 2002, those requirements total $7,100 over four years, with a further $1,500 required for the year ending March 31, 2003.

For the 1998 to 2001 years, our long-term debt position at year-end remained relatively consistent—$12,000 to just over $13,000—although the amount of principal due within one year increased dramatically, as more and more of the long-term debt approached its five year maturity dates. The inordinate increase in long-term debt in 2002 relates primarily to the borrowings for ambulances.

This increased principal requirement for long-term debt payments together with our revenue sharing payments has added working capital payable over continuously longer periods as a new ingredient in our financial equation. The $1,679 working capital payable position as of March 31, 1996, resulted from the payment of vehicle purchases, but was more than covered by an April 1996 draw down from Loan Act Authority. The $2,160, $3,562 and $3,909 amounts, as of March

31, 2000, 2001 and 2002 respectively, occur and remain *following fourth quarter draw downs* of $3,400, $4,250 and $7,150 respectively.

The extended working capital payable positions are a definite concern to us at *FLEET*. We are now into working capital payable more days during each year than we are out of it.

March 31 continues to reflect the best gauge or measure of our annual financial position. That's because it's during the fourth quarter each year that our cash requirements are the heaviest. The fourth quarter is also traditionally *FLEET*'s "flattest" period in terms of a quarterly contribution to annual net earnings. And it's during the fourth quarter that we pay for the majority of model year replacement vehicles *and* make semi-annual principal and interest payments on our outstanding Loan Act Authority. With a working capital payable position of $3,909 as of March 31, 2002, future cash requirements can only come from an even greater reliance on Loan Act Authority.

Much of our financial success, in the form of strong operating results and financial position, has been realized during our first 10 years solely through the loyalty and support of the departments, agencies and crown corporations that are our clients. All other things being equal, a more highly leveraged balance sheet brings with it increased interest costs that can only be covered in the long run by increased rates for our products and services. Continued price increases may soon test the loyalty and support of our existing clients. Continued price increases most certainly will make it exceedingly more difficult, if not impossible, to make serious inroads into the development of new clients in the broader public sector.

Our continuing challenge for the future will be to juggle our commitments for revenue sharing payments against our cost minimization mandate in an attempt to keep all stakeholders satisfied and happy.

Responsibility for Financial Reporting

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Grant Thornton LLP, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

An Advisory Board is available to meet, as required, with management to review accounting practices, financial reporting and to discuss audit results. During the year, management met twice with the Advisory Board. The auditors have free and full access to this Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

Dennis Ducharme
Chief Operating Officer

Albert Ogonoski
Manager, Finance

May 10, 2002

Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Fleet Vehicles Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2002, and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
May 10, 2002

Chartered Accountants

900 - One Lombard Place
Winnipeg, Manitoba
R3B 0X3
Tel: (204) 944-0100
Fax: (204) 957-5442
Fax: (204) 942-8553

Financial Statements

Statements of Earnings and Retained Earnings
Year Ended March 31
(In thousands)

		2002	2001
Revenue	Vehicle leases	**$ 22,304**	$ 20,349
	Gain on disposal of vehicles and equipment, net	**842**	727
	Interest income	**11**	80
	Other revenue (Page 34)	**1,799**	1,462
		24,956	22,618
Expenses	Salaries	**1,958**	1,925
	Vehicle operating expenses (Page 34)	**17,806**	16,296
	Administrative expenses (Page 34)	**1,284**	860
	Community service	**32**	28
	Interest expense	**951**	768
		22,031	19,877
Net earnings		**$ 2,925**	$ 2,741

Retained earnings, beginning of year	**$ 10,644**	$ 9,903
Net earnings	**2,925**	2,741
Revenue sharing to the Consolidated Fund	**(1,100)**	(2,000)
Retained earnings, end of year	**$ 12,469**	$ 10,644

See accompanying notes to the financial statements.

Financial Statements

Balance Sheet
March 31
(In thousands)

		2002	2001
Assets	Current		
	Short-term investments	$	$ 1,082
	Receivables (Note 3)	2,463	1,859
	Inventories	61	68
	Prepaids	1,216	1,200
		3,740	4,209
	Capital assets (Note 4)	37,319	30,092
	Receivable from the Province of Manitoba Severance pay benefits (Note 5)	194	194
		$ 41,253	$ 34,495
Liabilities	Current		
	Working capital payable, net of cash (Note 6)	$ 3,909	$ 3,562
	Payables and accruals	1,092	1,736
	Revenue sharing to the Consolidated Fund for the current year	350	500
	Unearned revenue	474	412
	Current portion of long-term debt	4,756	4,288
		10,581	10,498
	Long-term debt (Note 7)	13,824	8,971
	Severance pay liability (Note 5)	261	264
		24,666	19,733
Equity	Contributed equity (Note 8)	4,118	4,118
	Retained earnings	12,469	10,644
		16,587	14,762
		$ 41,253	$ 34,495

Commitments (Note 9)

See accompanying notes to the financial statements.

Financial Statements

Statements of Earnings and Retained Earnings
Year Ended March 31
(In thousands)

		2002	2001
Revenue	Vehicle leases	**$ 22,304**	$ 20,349
	Gain on disposal of vehicles and equipment, net	**842**	727
	Interest income	**11**	80
	Other revenue (Page 34)	**1,799**	1,462
		24,956	22,618
Expenses	Salaries	**1,958**	1,925
	Vehicle operating expenses (Page 34)	**17,806**	16,296
	Administrative expenses (Page 34)	**1,284**	860
	Community service	**32**	28
	Interest expense	**951**	768
		22,031	19,877
Net earnings		**$ 2,925**	$ 2,741

Retained earnings, beginning of year	**$ 10,644**	$ 9,903
Net earnings	**2,925**	2,741
Revenue sharing to the Consolidated Fund	**(1,100)**	(2,000)
Retained earnings, end of year	**$ 12,469**	$ 10,644

See accompanying notes to the financial statements.

Financial Statements

Balance Sheet
March 31
(In thousands)

		2002	2001
Assets	Current		
	Short-term investments	$	$ 1,082
	Receivables (Note 3)	2,463	1,859
	Inventories	61	68
	Prepaids	1,216	1,200
		3,740	4,209
	Capital assets (Note 4)	37,319	30,092
	Receivable from the Province of Manitoba Severance pay benefits (Note 5)	194	194
		$ 41,253	$ 34,495
Liabilities	Current		
	Working capital payable, net of cash (Note 6)	$ 3,909	$ 3,562
	Payables and accruals	1,092	1,736
	Revenue sharing to the Consolidated Fund for the current year	350	500
	Unearned revenue	474	412
	Current portion of long-term debt	4,756	4,288
		10,581	10,498
	Long-term debt (Note 7)	13,824	8,971
	Severance pay liability (Note 5)	261	264
		24,666	19,733
Equity	Contributed equity (Note 8)	4,118	4,118
	Retained earnings	12,469	10,644
		16,587	14,762
		$ 41,253	$ 34,495

Commitments (Note 9)

See accompanying notes to the financial statements.

Financial Statements

Statement of Cash Flows
Year Ended March 31
(In thousands)

		2002	2001
Increase (decrease) in cash and cash equivalents			
Operating	Net earnings	**$ 2,925**	$ 2,741
	Amortization	**7,127**	6,247
	Gain on disposal of vehicles and equipment, net	**(842)**	(727)
	Decrease in pension liability		(648)
	Actuarial valuation gain on pension liability		(395)
	Increase in severance pay liability	**29**	27
	Payment of severance pay benefits	**(32)**	
		9,207	7,245
	Change in		
	Receivables	**(604)**	554
	Inventories	**7**	(16)
	Prepaids	**(16)**	(58)
	Payables and accruals	**(644)**	655
	Revenue sharing to the Consolidated Fund for the current year	**(150)**	
	Unearned revenue	**62**	28
		7,862	8,408
Investing	Proceeds from disposal of vehicles and equipment	**1,517**	1,384
	Acquisition of vehicles	**(14,813)**	(9,893)
	Acquisition of office, shop and computer equipment	**(119)**	(130)
	Acquisition of leasehold improvements	**(97)**	(18)
	Cash held for funding of pension liability		826
		(13,512)	(7,831)
Financing	Proceeds from Loan Act Authority drawdowns	**9,950**	5,650
	Long-term debt repayments	**(4,629)**	(4,697)
	Revenue sharing to the Consolidated Fund	**(1,100)**	(2,000)
	Receivables from the Province of Manitoba		150
		4,221	(897)
Net decrease in cash and cash equivalents		**(1,429)**	(320)
Working capital payable, net of cash and cash equivalents			
	Beginning of year	**(2,480)**	(2,160)
	End of year	**$ (3,909)**	$ (2,480)

See accompanying notes to the financial statements.

Financial Statements

Statement of Cash Flows
Year Ended March 31
(In thousands)

		2002	2001
Increase (decrease) in cash and cash equivalents			
Operating	Net earnings	**$ 2,925**	$ 2,741
	Amortization	**7,127**	6,247
	Gain on disposal of vehicles and equipment, net	**(842)**	(727)
	Decrease in pension liability		(648)
	Actuarial valuation gain on pension liability		(395)
	Increase in severance pay liability	**29**	27
	Payment of severance pay benefits	**(32)**	
		9,207	7,245
	Change in		
	Receivables	**(604)**	554
	Inventories	**7**	(16)
	Prepaids	**(16)**	(58)
	Payables and accruals	**(644)**	655
	Revenue sharing to the Consolidated Fund for the current year	**(150)**	
	Unearned revenue	**62**	28
		7,862	8,408
Investing	Proceeds from disposal of vehicles and equipment	**1,517**	1,384
	Acquisition of vehicles	**(14,813)**	(9,893)
	Acquisition of office, shop and computer equipment	**(119)**	(130)
	Acquisition of leasehold improvements	**(97)**	(18)
	Cash held for funding of pension liability		826
		(13,512)	(7,831)
Financing	Proceeds from Loan Act Authority drawdowns	**9,950**	5,650
	Long-term debt repayments	**(4,629)**	(4,697)
	Revenue sharing to the Consolidated Fund	**(1,100)**	(2,000)
	Receivables from the Province of Manitoba		150
		4,221	(897)
Net decrease in cash and cash equivalents		**(1,429)**	(320)
Working capital payable, net of cash and cash equivalents			
	Beginning of year	**(2,480)**	(2,160)
	End of year	**$ (3,909)**	$ (2,480)

See accompanying notes to the financial statements.

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

1. Nature of organization

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister of Transportation and Government Services.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

2. Significant accounting policies

Basis of reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories are valued at the lower of cost and market value.

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

2. *Significant accounting policies* (continued)

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Office and shop equipment	20%, declining balance
Computer software and equipment	20%, straight line
Leasehold improvements	10%, straight line

Pension

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. During the 2002 fiscal year, in accordance with the terms of the agreement, the Agency transferred to the Province funds equal to the net assets required to discharge its pension obligations as of March 31, 2001. Commencing April 1, 2001, the Agency is also required to pay to the Province an amount equal to its employees' current pension contributions.

As of March 31, 2002, the Agency has discharged its pension obligations and has no outstanding liability.

Use of estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. *Receivables*

	2002	2001
Trade	$ 1,461	$ 917
Accrued trade	731	671
Insurance agency rebate receivable	271	271
	$ 2,463	$ 1,859

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

4. Capital assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Vehicles	$ 65,624	$ 28,918	**$ 36,706**	$ 29,528
Office, shop and computer equipment	1,014	702	**312**	312
Leasehold improvements	531	230	**301**	252
	$ 67,169	$ 29,850	**$ 37,319**	$ 30,092

5. Severance pay liability

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as of April 1, 1998, of $219 was completely offset by a receivable from the Province.

An actuarial valuation report of the Agency's severance liability as of March 31, 2000, was completed in February 2001. The liability as of March 31, 2000, was restated to $237 and the receivable from the Province was restated to $194 as a result of the actuarial valuation.

The receivable from the Province will only be collected, in whole or in part, in the event there is a cash short fall in the Agency. It is probable, therefore, that collection will only happen on the dissolution of the Agency.

The actuarial valuation report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability before payments has been calculated to be $293 as of March 31, 2002. Payments amounting to $32 were made during the year to three employees no longer with the Agency or the Province, and that amount has been charged against the liability.

6. Working capital payable

The Agency has an authorized line of working capital advances of $4,000, $3,992 of which was used as of March 31, 2002 (2001: $3,612).

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

2. *Significant accounting policies* (continued)

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Office and shop equipment	20%, declining balance
Computer software and equipment	20%, straight line
Leasehold improvements	10%, straight line

Pension

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. During the 2002 fiscal year, in accordance with the terms of the agreement, the Agency transferred to the Province funds equal to the net assets required to discharge its pension obligations as of March 31, 2001. Commencing April 1, 2001, the Agency is also required to pay to the Province an amount equal to its employees' current pension contributions.

As of March 31, 2002, the Agency has discharged its pension obligations and has no outstanding liability.

Use of estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. *Receivables*

	2002	2001
Trade	$ 1,461	$ 917
Accrued trade	731	671
Insurance agency rebate receivable	271	271
	$ 2,463	$ 1,859

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

4. Capital assets

	Cost	Accumulated Amortization	**2002 Net Book Value**	2001 Net Book Value
Vehicles	$ 65,624	$ 28,918	**$ 36,706**	$ 29,528
Office, shop and computer equipment	1,014	702	**312**	312
Leasehold improvements	531	230	**301**	252
	$ 67,169	$ 29,850	**$ 37,319**	$ 30,092

5. Severance pay liability

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as of April 1, 1998, of $219 was completely offset by a receivable from the Province.

An actuarial valuation report of the Agency's severance liability as of March 31, 2000, was completed in February 2001. The liability as of March 31, 2000, was restated to $237 and the receivable from the Province was restated to $194 as a result of the actuarial valuation.

The receivable from the Province will only be collected, in whole or in part, in the event there is a cash short fall in the Agency. It is probable, therefore, that collection will only happen on the dissolution of the Agency.

The actuarial valuation report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability before payments has been calculated to be $293 as of March 31, 2002. Payments amounting to $32 were made during the year to three employees no longer with the Agency or the Province, and that amount has been charged against the liability.

6. Working capital payable

The Agency has an authorized line of working capital advances of $4,000, $3,992 of which was used as of March 31, 2002 (2001: $3,612).

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

7. Long-term debt

Loan Act Authority is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity Date	Principal Balance Owing 2002	2001
6%	$ 469	March 31, 2002	$	$ 897
5 ½%	289	September 30, 2002	**282**	822
5 7/8%	316	March 31, 2003	**604**	1,175
5 ½ %	232	March 31, 2004	**866**	1,264
6%	141	March 31, 2004	**523**	762
6 7/8%	408	March 31, 2005	**2,176**	2,809
6 5/8%	167	September 30, 2005	**1,027**	1,280
5 3/4%	495	March 31, 2006	**3,493**	4,250
5 3/8%	121	September 30, 2006	**957**	
4 3/4%	243	September 30, 2006	**1,948**	
5 5/8%	174	March 31, 2007	**1,500**	
6.425%	146	March 31, 2009	**1,624**	
5 1/4%	159	September 30, 2009	**1,955**	
5 5/8%	134	September 30, 2009	**1,625**	
Total principal owing as of March 31			**18,580**	13,259
Amount due within one year			**4,756**	4,288
Long-term debt as of March 31			**$ 13,824**	$ 8,971

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed above on behalf of Fleet Vehicles Agency.

Unused loan authority of $2,050 was available as of March 31, 2001, all from The Loan Act, 2000. An additional $11,300 ($5,900 for trucks, vans and sedans and $5,400 for ambulances) was approved during 2001/02, for a total available of $13,350. Following the draw down of $9,950 from July 2001 to March 2002, there is $3,400 in unused loan authority remaining, $1,000 special from The Loan Act, 2000 and $2,400 regular from The Loan Act, 2001.

As of March 31, 2002, principal repayments in each of the next five years are as follows:

2003	$ 4,756
2004	4,101
2005	3,590
2006	2,810
2007	1,428

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

8. Contributed equity

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

9. Commitments

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2002/03 are established annually based on the approved budget for the Department of Transportation and Government Services. Occupancy charges for 2002/03 are estimated at $415 for the year, to be paid in semi-annual instalments in July 2002 and January 2003.

(b) The Agency's approved 2002/03 Business Plan calls for $1,500 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2002/03.

10. Requirements of The Public Sector Compensation Disclosure Act

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31.

Name	Position	2002	2001
Kathryn Bernhardt	Manager, Support Services	$ 62	$ 60
Derek Boutang	Systems Analyst	54	52
Donald Chesney	Manager, Fleet	62	60
Dennis Ducharme	Chief Operating Officer	82	80
Jordan Janisse	Systems Supervisor	56	55
David Kroeker	Programmer Analyst	50	
Albert Ogonoski	Manager, Finance	60	54
William Reynolds	Senior Manager, Strategic Planning	60	57
Guy Sinclair	Manager, Operations	62	60
George St. Amant	Automotive Equipment Mechanic	50	
Kathy Tarrant	Manager, Marketing	53	

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

7. Long-term debt

Loan Act Authority is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity Date	Principal Balance Owing 2002	2001
6%	$ 469	March 31, 2002	$	$ 897
5 ½%	289	September 30, 2002	282	822
5 7/8%	316	March 31, 2003	604	1,175
5 ½ %	232	March 31, 2004	866	1,264
6%	141	March 31, 2004	523	762
6 7/8%	408	March 31, 2005	2,176	2,809
6 5/8%	167	September 30, 2005	1,027	1,280
5 3/4%	495	March 31, 2006	3,493	4,250
5 3/8%	121	September 30, 2006	957	
4 3/4%	243	September 30, 2006	1,948	
5 5/8%	174	March 31, 2007	1,500	
6.425%	146	March 31, 2009	1,624	
5 1/4%	159	September 30, 2009	1,955	
5 5/8%	134	September 30, 2009	1,625	
Total principal owing as of March 31			18,580	13,259
Amount due within one year			4,756	4,288
Long-term debt as of March 31			$ 13,824	$ 8,971

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed above on behalf of Fleet Vehicles Agency.

Unused loan authority of $2,050 was available as of March 31, 2001, all from The Loan Act, 2000. An additional $11,300 ($5,900 for trucks, vans and sedans and $5,400 for ambulances) was approved during 2001/02, for a total available of $13,350. Following the draw down of $9,950 from July 2001 to March 2002, there is $3,400 in unused loan authority remaining, $1,000 special from The Loan Act, 2000 and $2,400 regular from The Loan Act, 2001.

As of March 31, 2002, principal repayments in each of the next five years are as follows:

2003	$ 4,756
2004	4,101
2005	3,590
2006	2,810
2007	1,428

Financial Statements

Notes to the Financial Statements
March 31, 2002
(In thousands)

8. Contributed equity

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

9. Commitments

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2002/03 are established annually based on the approved budget for the Department of Transportation and Government Services. Occupancy charges for 2002/03 are estimated at $415 for the year, to be paid in semi-annual instalments in July 2002 and January 2003.

(b) The Agency's approved 2002/03 Business Plan calls for $1,500 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2002/03.

10. Requirements of The Public Sector Compensation Disclosure Act

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31.

Name	Position	2002	2001
Kathryn Bernhardt	Manager, Support Services	$ 62	$ 60
Derek Boutang	Systems Analyst	54	52
Donald Chesney	Manager, Fleet	62	60
Dennis Ducharme	Chief Operating Officer	82	80
Jordan Janisse	Systems Supervisor	56	55
David Kroeker	Programmer Analyst	50	
Albert Ogonoski	Manager, Finance	60	54
William Reynolds	Senior Manager, Strategic Planning	60	57
Guy Sinclair	Manager, Operations	62	60
George St. Amant	Automotive Equipment Mechanic	50	
Kathy Tarrant	Manager, Marketing	53	

Financial Statements

Schedule of Other Revenue and Expenses
Year Ended March 31
(In thousands)

		2002	2001
Other revenue	Service	**$ 719**	$ 734
	Rebates	**694**	576
	Autopac service revenue	**386**	152
		$ 1,799	$ 1,462
Vehicle operating expenses	Amortization	**$ 6,994**	$ 6,134
	Fuel	**5,405**	5,212
	Insurance premiums	**2,327**	2,224
	Repairs and maintenance	**3,080**	2,725
		$ 17,806	$ 16,296
Administrative expenses	Amortization	**$ 133**	$ 113
	Fleet management information system	**189**	178
	Human resource overhead	**390**	424
	Actuarial valuation gain on pension liability		(395)
	Occupancy costs	**398**	398
	Other costs	**70**	48
	Professional fees	**24**	13
	SOAFA charges	**3**	3
	Supplies and materials	**47**	48
	Telephone and communication	**30**	30
		$ 1,284	$ 860

FLEET Facts

Year ended March 31	Projected 2001/02	**Actual 2001/02**	Actual 2000/01
Distance			
Total kilometres driven (000s)	54,749	**53,656**	51,574
Revenue			
Total lease revenue (000s)	$ 21,637	**$ 22,304**	$ 20,349
All other revenue (000s)	$ 1,963	**$ 2,652**	$ 2,269
Total revenue (000s)	$ 23,600	**$ 24,956**	$ 22,618
Average lease rate per kilometre	$ 0.3952	**$ 0.4157**	$ 0.3946
Fleet Composition			
Total number of vehicles - full maintenance	2,507	**2,416**	2,391
Total number of vehicles - dry lease	217	**280**	218
Total number of vehicles in the fleet	2,724	**2,696**	2,609
Acquisitions - Trucks, vans and sedans (000s)	378	**367**	383
Acquisitions - Ambulances (000s)	60	**60**	0
Average purchase price - Trucks, vans and sedans (000s)	$ 24.4	**$ 26.3**	$ 25.8
Average purchase price - Ambulances (000s)	$ 93.0	**$ 86.3**	$ 0
Disposals - Trucks, vans and sedans	361	**340**	363
Average disposal proceeds (000s)	$ 6.4	**$ 4.5**	$ 3.8
Gain on disposal of vehicles and equipment, net (000s)	$ 424	**$ 842**	$ 727
Average vehicle age (in years)	4.0	**3.8**	4.0
Average vehicle age excluding seasonals (in years)	3.0	**3.1**	3.2
Fuel Consumption			
Litres (000s)	8,815	**8,906**	8,352
Price per litre	$ 0.6449	**$ 0.6069**	$ 0.6242
Litres consumed per 100 kilometres	16.10	**16.60**	16.19

Financial Statements

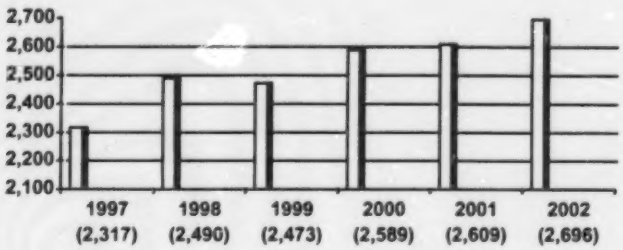
Schedule of Other Revenue and Expenses
Year Ended March 31
(In thousands)

		2002	2001
Other revenue	Service	$ 719	$ 734
	Rebates	694	576
	Autopac service revenue	386	152
		$ 1,799	$ 1,462
Vehicle operating expenses	Amortization	$ 6,994	$ 6,134
	Fuel	5,405	5,213
	Insurance premiums	2,327	2,224
	Repairs and maintenance	3,080	2,725
		$ 17,806	$ 16,296
Administrative expenses	Amortization	$ 133	$ 113
	Fleet management information system	189	178
	Human resource overhead	390	424
	Actuarial valuation gain on pension liability		(395)
	Occupancy costs	398	398
	Other costs	70	48
	Professional fees	24	13
	SOAFA charges	3	3
	Supplies and materials	47	48
	Telephone and communication	30	30
		$ 1,284	$ 860

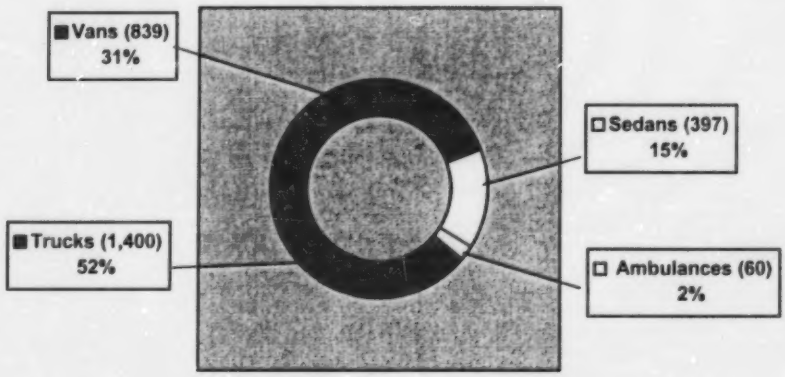
FLEET Facts

Year ended March 31	Projected 2001/02	**Actual 2001/02**	Actual 2000/01
Distance			
Total kilometres driven (000s)	54,749	**53,656**	51,574
Revenue			
Total lease revenue (000s)	$ 21,637	**$ 22,304**	$ 20,349
All other revenue (000s)	$ 1,963	**$ 2,652**	$ 2,269
Total revenue (000s)	$ 23,600	**$ 24,956**	$ 22,618
Average lease rate per kilometre	$ 0.3952	**$ 0.4157**	$ 0.3946
Fleet Composition			
Total number of vehicles - full maintenance	2,507	**2,416**	2,391
Total number of vehicles - dry lease	217	**280**	218
Total number of vehicles in the fleet	2,724	**2,696**	2,609
Acquisitions - Trucks, vans and sedans (000s)	378	**367**	383
Acquisitions - Ambulances (000s)	60	**60**	0
Average purchase price - Trucks, vans and sedans (000s)	$ 24.4	**$ 26.3**	$ 25.8
Average purchase price - Ambulances (000s)	$ 93.0	**$ 86.3**	$ 0
Disposals - Trucks, vans and sedans	361	**340**	363
Average disposal proceeds (000s)	$ 6.4	**$ 4.5**	$ 3.8
Gain on disposal of vehicles and equipment, net (000s)	$ 424	**$ 842**	$ 727
Average vehicle age (in years)	4.0	**3.8**	4.0
Average vehicle age excluding seasonals (in years)	3.0	**3.1**	3.2
Fuel Consumption			
Litres (000s)	8,815	**8,906**	8,352
Price per litre	$ 0.6449	**$ 0.6069**	$ 0.6242
Litres consumed per 100 kilometres	16.10	**16.60**	16.19

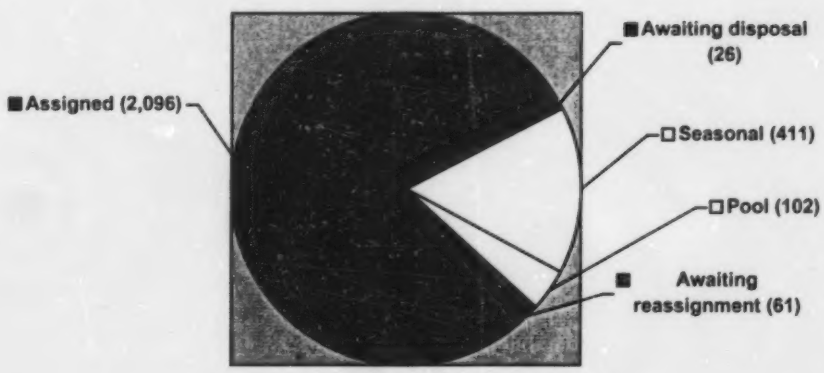
Fleet Size (*in units*)



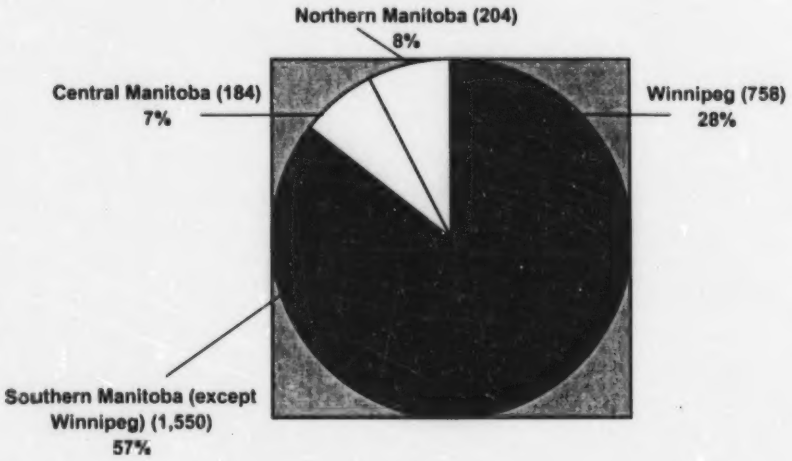
Vehicle Type as of March 31, 2002 (*in units*)



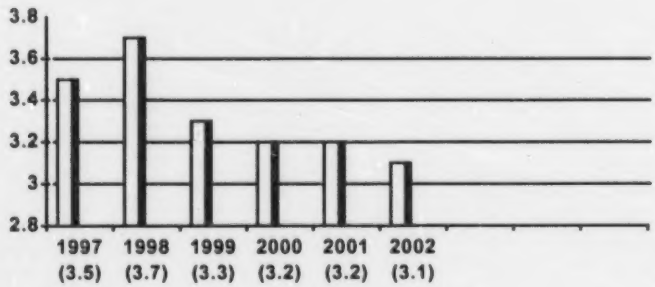
Fleet Composition as of March 31, 2002 (*in units*)



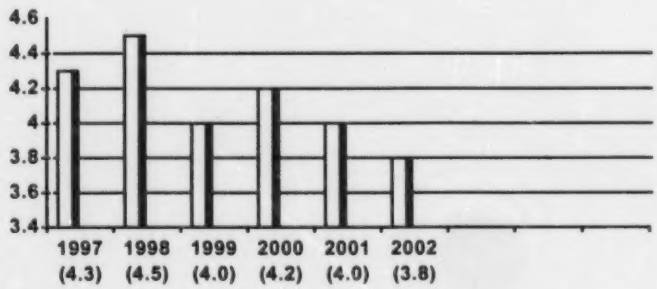
Distribution of Vehicles as of March 31, 2002 (*as designated by MPI regions*)



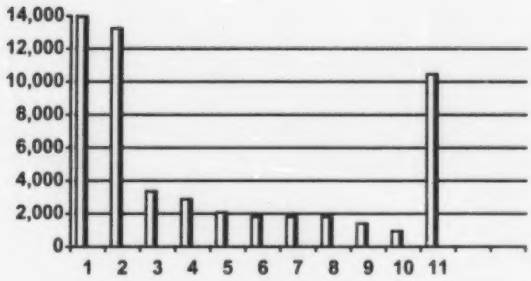
Vehicle Age (*in years, excluding seasonal vehicles*)



Vehicle Age (*in years, including seasonal vehicles*)



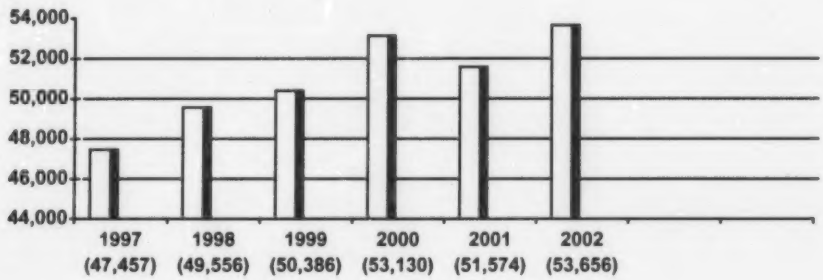
Distance by Department in 2001/02
(in thousands of kilometres)



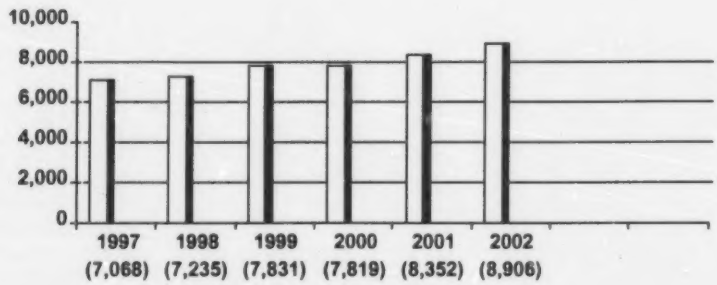
Distance by Department Legend
(in thousands of kilometres)

1.	Transportation and Government Services (formerly Highways)	13,961
2.	Conservation	13,223
3.	Justice	3,339
4.	Family Services and Housing	2,868
5.	Manitoba Lotteries	2,059
6.	Intergovernmental Affairs	1,808
7.	Transportation and Government Services (formerly Government Services)	1,804
8.	Agriculture and Food	1,795
9.	RHAs (ambulances)	1,393
10.	Industry, Trade and Mines	946
11.	Others	10,460

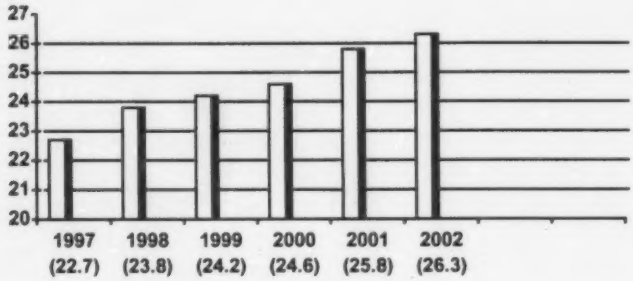
Fleet Distance *(in thousands of kilometres)*



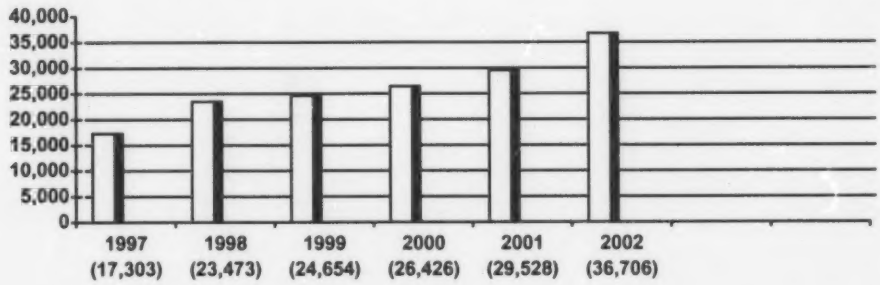
Fuel Consumption (*in thousands of litres*)



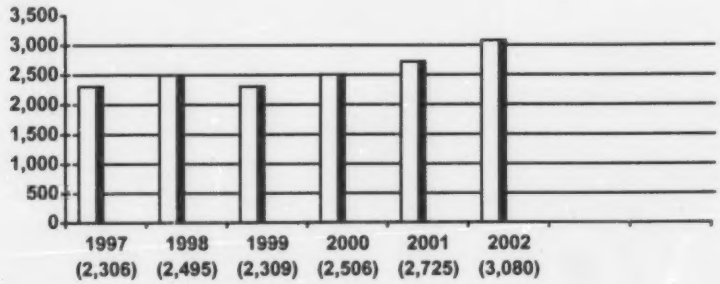
New Vehicles Average Purchase Price for Trucks, Vans and Sedans
(in thousands of dollars per unit)



Carrying Value (Cost less Accumulated Amortization) of Vehicles
(in thousands of dollars)



Repairs and Maintenance Costs *(in thousands of dollars)*



FLEET Contacts

Dennis Ducharme
Chief Operating Officer
Phone: (204) 945-3680

Don Chesney
Manager, Fleet
Phone: (204) 945-3303

Guy Sinclair
Manager, Operations
Phone: (204) 945-8897

Grant Fraser
Manager, Mechanical Shop
Phone: (204) 945-5559

Robert Nolin
Manager, Bodyshop
Phone: (204) 945-8135

Kathryn Bernhardt
Manager, Support Services
Phone: (204) 945-3309

Kevin Kilbrei
Manager, Marketing
Phone: (204) 945-4462

Albert Ogonoski
Manager, Finance
Phone: (204) 945-4793

Bill Reynolds
Senior Manager, Strategic Planning
Phone: (204) 945-3506

Susie Ehnes and **Gisele Fazackerley**
Customer Service
Phone: (204) 945-3443, 945-3441
and 1-800-363-6693

Fleet Vehicles Agency

626 Henry Avenue
Winnipeg, Manitoba
R3A 1P7
Phone: (204) 945-0275
Fax: (204) 957-1109
E-mail: fvainfo@fva.gov.mb.ca
Home Page: www.fva.gov.mb.ca

Our vision is to provide all vehicle and equipment management services to the broader public sector.